

***Boosting Organisational Value Through Smarter Portfolio Management*¹**

Portfolio Management Techniques and Tools²

By Iain Fraser

As a core principle, ‘simplicity’ needs to be at the forefront of approaches. Unfortunately, all too often we see over-enthusiastic practitioners being very busy creating lots of process-orientated material that does not assist the performing group(s) nor the organisation. So, from my perspective and experience, I offer the following principles:

- Value management is adopted as a framework and used as the guiding framework for crafting portfolio content.
- Expert judgement is used to support all decision making throughout portfolio development (but only if you have the right levels of capability).
- Some form of categorization of portfolio types and components is used e.g. value themes and types.
- Use prioritization models that have weighted criteria for content scoring and selection.
- Use integrated systems for performance analysis that combine data from corporate finance systems, portfolio management systems and operations systems.
- Use balanced scorecard and other graphical performance reporting systems, such as bubble graphs, trending graphs, and pie charts are used to convey key organizational performance data.

Investment Complexity Assessment

By analyzing and scoring each of six elements, a view of the level of complexity can be gained from any proposed investment. This allows good input towards planning associated with enabling, identifying, balancing, measuring and changing process elements for each portfolio. The scoring of complexity also provides useful information towards selection and allocation of suitable skill sets, as well as an indicator of the likely time periods required for Value Capture.

¹This series of articles on smarter portfolio management are based on Iain’s book “[The Business of Portfolio Management: Boosting Organizational Value Through Portfolio Management](#)”, PMI, 2017.

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Prioritization and Selection Tool

A weighted matrix tool can be utilized to usefully collate various sources of both opex and capex proposed initiatives. This can be adapted to suit your own organization, but I'd suggest that you retain the degree of simplicity that is intended. The use of value management workshops allows robust dialogue around options, as well as more informed decisions on investment option taking.

Portfolio Software Systems

Software systems can provide a summary or 'bird's-eye' view of portfolio management activity, allowing the identification of, for example, portfolio problems, program blockages and even project issues. Some software tools allow for the allocation and spreading of resources across portfolios and for keeping a high-level view on each portfolio's progress. Portfolio and program of work management tools should be integrated, so that supporting infrastructure facilitates seamless communication/exchange between the systems, for data collection, tracking and reporting, etc. to prevent rework and unnecessary duplication.

There are tools available to help organizations realize their further potential by assisting in identifying, selecting, managing, and delivering portfolios that best align with their business objectives. They can help executives gain visibility, insight, and thereby influence and control across their portfolios, programs of work and projects. They can track each initiative from the initial concept, through business case analysis, initiation, various governance phase-gates of delivery, and final measurement, to provide accurate and timely reporting of results and ultimately benefits realized and value captured.

By using relevant software tools, multiple levels of organizational benefits can be gained, such as:

- Executive dashboards and other flexible reporting,
- Fully integrated talent/resource management,
- Budgeting, costing and profitability tracking,
- Intelligent and integrated scheduling, resourcing and cost management,
- Time and expense tracking including productive and non-productive capture,
- Collaboration on document management ,
- Integration with other business systems, such as ERP, asset management and other core tools,
- Frameworks/methodologies and related templates are embedded,
- Customization to suit changing process and future need.

It seems that almost every week new software tools or new versions of existing tools are being released. The market-place is full of hype around data privacy, cloud computing, software-as-a-service and other offerings, often with a fair degree of rhetoric included. The P3M software arena has not been immune to this hype and that, together with an apparent ongoing confusion of terms used by marketers and sales people, suggests that caution is required before investing in any software tool solution that is to be used for portfolio management. That said however, seemingly too many PMO and IT people recommend that low cost tools, typically used for project planning and control purposes, be purchased/licensed for portfolio management needs. This is a waste of time, money and energy which does little to influence the executive leaders that portfolio management, in its true sense, is a viable business model to pursue.

It is therefore suggested that organizations take plenty of time to fully define their relevant functional requirements and then conduct relevant research, perhaps using outside expert assistance, to secure the most up to-date information prior to making any form of investment in portfolio management software. There is no place for skewed emotion in these important business critical decisions.

Be aware that many P3M software organizations claim to have portfolio management capability in addition to program of work and project management capability. This is not often the case, due to those organizations confusing the market, and quite possibly themselves, in regard to the use of the term 'project portfolio management' instead of just portfolio management.

Some enterprise-wide systems, often referred to as ERP or EAM systems, can be configured and customized to suit your particular organizational needs. Whilst these systems are primarily finance orientated, they do offer some form of P3M capability, usually in the form of additional modules. However, this capability is more often than not program of work (read multi-project) and project orientated, although some offer a claimed 'project portfolio management' capability. Whilst this is encouraging, it seems to me that there is great opportunity for those systems and modules to be developed further to offer a fully integrated portfolio management system and capability which is beyond the somewhat low-level offerings available currently.

Therefore, many executives, including CIOs, get confused and then possibly end up agreeing to the purchase of a P3M system due to bad advice or the 'flavor of the moment' syndrome.

A critical decision like this requires balanced and independent input from an expert who understands the organizations level of P3M maturity, the type of work done, the mix of opex and capex expenditure, and the complexity across the organization, both now and into the mid-term.

Next month: Metrics and Reporting

About the Author



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Iain Fraser, Dip PPC, PMP, MoP, P3M3, PMI Fellow, Fellow PMINZ has over 30 years of global business, portfolio, program of work, project, and EPMO leadership experience from a variety of sectors such as oil & gas, telecommunications, power, banking, defence, government and technology. He is globally known for his expertise and in-sights on leveraging benefits from project-based management for business advantage. A former CEO, he is now an independent consultant, speaker and trainer. He is considered a thought-leader by his peers, has been featured on live radio, video and podcasts and has been quoted in The Times and The Telegraph of the UK. He is the author of the top-selling business book '[*The Business of Portfolio Management—Boosting Organizational Value*](#)' (PMI, 2017) and co-author of '[*The Business of People: Leadership for the Changing World*](#)' (Routledge, 2019) with Madeleine Taylor as well as other publications. More at www.jacobite.co.nz

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